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SUBJECT: CORRECTED COPY -- WORLD BANK HELPS ADDRESS DEEP
SOCIAL NEEDS

11. (SBU) Summary: Within its total \$6 billion portfolio, the World Bank is currently allocating \$1.7 billion to social sector projects that assist workers laid off by privatization, strengthen health care delivery through transitioning to universal health insurance, and improve school curricula and conditions. While the privatization- and health-related projects have been quite successful, the Bank may be forced to withdraw \$150 million in education-related loans due to lack of cooperation from the Ministry of National Education. Rather than alienating Turkish bureaucrats with a laundry list of legal "conditions" for Bank lending, the Bank's local leadership has found its quiet, behind-the-scenes approach quite successful in advancing positive change. End summary.

Smoothing Transitions for Laid-Off Workers

12. (SBU) The World Bank has made a priority of trying to ease the social strains of privatization, which has been hotly opposed by labor unions and many parts of society. Building on its 2000-2005 Privatization Social Support Project, the World Bank and Turkish Treasury signed a \$465 million follow-up program on October 25. Both projects are designed to assist employees of state-owned enterprises who lose jobs because of privatizations. John Innes, who coordinates social sector projects at the Bank's Ankara office, said the Bank hopes to mitigate negative perceptions of privatization by helping laid-off employees transition to other employment. The Second Privatization Social Support Project takes a three-pronged approach - job loss compensation, labor redeployment services, and management, monitoring, and evaluation. In coordination with Iskur, the Turkish Employment Agency, the project provides job counseling, placement services, labor retraining, and temporary employment.

13. (U) In addition, the Bank is partially funding six micro-business incubators in six cities throughout Turkey. These incubators, in conjunction with local chambers of commerce, provide part of the start-up capital for new businesses to employees who have been laid off because of privatization. The financing is repaid over three years, after which the businesses are expected to be self-sufficient. Innes said the first such incubator is already self-sufficient from reflows of microcredits.

Broadening Access to Medical Care

14. (SBU) Turkey ranks far behind most middle-income and EU accession countries on key health indicators. World Bank data suggests that 36 to 37 percent of the Turkish population does not have health insurance. Government health care spending mainly benefits higher-income groups, and the poor face numerous barriers to access. The World Bank cites four key reforms which would improve the overall health care system in Turkey: the expansion of health insurance to cover all citizens, strengthening primary health care services, ensuring that poorer areas have access to professional medical care, and boosting the quality of maternal and child health care services.

15. (SBU) With these reforms as the goal, the World Bank launched its Health Transition project in 2004. With a \$60 million budget, the project assists Turkey's preparation for universal health insurance, helps develop national health care standards, and strengthens the Ministry of Health into an effective policy-making entity. Innes noted that the country's best-run hospitals used to be under the Social Security Institution (SSK) but have now been brought under the Ministry of Health, with a resulting loss of financial control, particularly for medicines. For example, SSK hospitals used to require patients go to special pharmacies which restricted spending on drugs. The Ministry of Health reimburses for any purchases, including for overpriced

generic drugs. As a result, the GoT is footing a much larger pharmaceutical bill, leading to health spending overruns in 2005. (Currently the GoT is spending 0.35% of GDP on medications.) According to Innes, the GoT is investigating measures to bring these costs under control. Foreign research-based pharmaceutical companies are worried, however, that these cost-saving measures will restrict access to their "innovative" products in favor of local generics.

Upgrading and Expanding Access to Basic Education

16. (U) According to World Bank reports, in 2000, the average adult literacy rate was 86.5%; however, the literacy rate for adult women was only 76.5%. That same year, only 85% of primary school-aged females were enrolled in school. The World Bank reports the leading problems in public schools are lack of books and supplies, poor teaching, and substandard school conditions. Under the \$300 million Basic Education Project, the Bank seeks to remedy these problems by funding the refurbishment of 500 schools, the provision of educational materials for 4000 schools, additional training for teachers and inspectors, construction and furnishing of 300 new preschool classrooms, and rehabilitation of 60 schools for children with special needs. In its \$104 million Secondary Education Project, approved in February 2005 and scheduled to be signed in early 2006, the World Bank plans to support Turkey's reform of the secondary school curriculum. The end goal of the project is to ensure that all students graduate with the same basic skills, regardless of whether they attend general or vocational high school.

17. (SBU) Innes said that working with the Ministry of National Education has been particularly difficult. The Ministry employs seven Deputy Under Secretaries and 28 Director Generals, resulting in a massive, unwieldy bureaucracy. While Innes noted that the World Bank has good policy dialogue at the university level, he said that the lack of cooperation at the elementary and secondary levels may force the Bank to pull back \$150 million of its \$300 million commitment.

Comment

18. (SBU) Meeting the needs of a young (60% under the age of 30), poor (27% living in poverty) and fast growing (2.4 children per woman) population is Turkey's principal economic and political challenge as it integrates into the European and global economy. With Turkey its second-largest borrower worldwide, the Bank is a key agent of change, particularly in breaking down the ossified system of state companies and heavily centralized educational and health systems that do not offer flexibility and choice for meeting modern needs. Despite its large portfolio, the Bank's moral and persuasive influence is far more important than the dollar amount of the financing it provides. The Bank's local leadership therefore believes that it can be most successful working quietly behind the scenes to change attitudes rather than by putting heavy-handed legal "conditions" on Bank lending that would tend to cause Turkish bureaucrats and politicians to balk and walk away. But when it needs to get tough, such as with the education projects, the Bank has shown that it is able to do so.

McEldowney